



Canadian Equity & Development Company Limited

Canadian Equity & Development Company Limited, a publicly-owned company listed on the Toronto Stock Exchange, was established in 1953 as a real estate development company.

Don Mills Developments Limited is the wholly-owned subsidiary of Canadian Equity and is engaged in the development and sale of land and in the development and management of income-producing properties.

During the 1950's the company created Don Mills, Canada's first comprehensively planned community, in the north-east quadrant of Metropolitan Toronto. Don Mills now has a population of approximately 30,000.

The company is currently engaged in the management of its income property portfolio and in the development of Erin Mills New Town.

Consolidated Statement of Source and Use of Funds

Six Months Ended April 30, 1972
(with comparative figures for 1971)

	1972	1971
Source of funds		
Operations		
Net Income	\$ 463,611	\$ 420,465
Add: Charges not requiring cash outlay		
Deferred income taxes .	443,800	793,000
Depreciation and amortization	196,356	187,029
Cash Flow (22.8c per share; 1971 — 29.0c)	1,103,767	1,400,494
Increase in bank indebtedness ..	3,414,226	—
Increase in notes payable	5,791,893	403,695
Issue of common shares	6,930	251,875
Increase in mortgages on development land and improvements	558,800	555,000
Increase in mortgages on income producing properties .	1,871,408	—
Decrease in investment in associated companies	982,361	26,922
Decrease (increase) in mortgages and accounts receivable	1,391,418	(94,570)
Decrease in cash and short term deposits	—	493,612
	<u>\$15,120,803</u>	<u>\$ 3,037,028</u>
Use of funds		
Principal repayments on mortgages secured by development land and improvements	\$ 149,153	\$ 142,199
Principal repayments on mortgages secured by income producing properties	168,731	158,294
Construction costs for income producing properties	3,075,613	415,028
Increase in income producing properties	4,608,305	2,227
Purchase of debentures	37,760	122,345
Increase in development land and improvements	4,620,468	2,054,362
Decrease (increase) in accounts payable	2,445,906	(21,289)
Net change in other assets and liabilities	14,867	163,862
	<u>\$15,120,803</u>	<u>\$ 3,037,028</u>

CANADIAN EQUITY & DEVELOPMENT
COMPANY LIMITED
2171 Avenue Road
Toronto 380, Ontario

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CANADIAN EQUITY & DEVELOPMENT COMPANY LIMITED

INTERIM REPORT TO THE SHAREHOLDERS

SIX MONTHS
ENDED
APRIL 30, 1972

1971
1,440,019
3,604,492
29.8¢
74.5¢
4,767,650
3,243,531
6,991,920
1,466,861
4,836,350
2
4
6
6
13
17
24

Report to the Shareholders

Progress in our second quarter has been made on many fronts and the plans as previously announced are beginning to show results.

King's Masting, our second residential neighbourhood in Erin Mills South, was registered on May 4, 1972. Sale agreements for 549 residential units have been negotiated and the revenue will be included in our accounts in the third and fourth quarters as the servicing and other conditions of sale will have been met. In addition to our original builders, Cadillac Homes and Costain Estates Limited, we welcome three new builders, Shipp Corporation Limited, West Credit River Homes and Whitehall Development Corporation Limited.

I am also pleased to inform you that a company in which Don Mills Developments holds a 34 percent interest, has been awarded a licence by the Canadian Radio-Television Commission for the operation of a cable television system in Erin Mills. This will be available to the community at large as an educational and cultural facility as well as a medium of information and entertainment.

Our industrial and commercial activity, as previously reported, continues at a high level. Sales and lease revenues resulting from this activity will be reported in later periods.

In addition to the expanded rate of activity in Erin Mills, we have completed arrangements for the purchase of the interest in Greater Hamilton Shopping Centre Limited not previously owned by your company. Greater Hamilton Shopping Centre Limited owns a 47-acre regional shopping facility. As of April 30th, Don Mills Developments Limited, your Company's wholly-owned subsidiary, acquired the 50 percent interest previously held by Canadian Equity and the 50 percent interest held by another company.

The Consolidated Statement of Income for the six months ended April 30, 1972, and the comparative figures for 1971 have been restated to reflect the Company's share of the income and expenses on a line by line basis. Previously this was reported as "Equity in Income of Associated Companies". This change in the disclosure has had no effect on the net income in this report.

Toronto
June 8, 1972

A. E. DIAMOND
President

Consolidated Statement of Income

Six Months Ended April 30, 1972
(with comparative figures for 1971)

	1972	1971
Rental Income	\$1,706,101	\$1,674,435
Property operating expenses	433,104	421,165
Mortgage interest	210,734	224,106
Depreciation	171,306	169,080
	815,144	814,351
Net Rental Income	890,957	860,084
Net Income from Sales of Land	41,160	135,005
Interest and Sundry Income ..	157,832	57,563
Equity in Income of Associated Company	8,777	8,048
	166,609	65,611
Expenses		
General and administrative	124,549	119,532
Amortization of debenture discount and financing expenses (net of discount on debentures purchased)	20,066	14,203
	144,615	133,735
Income from Operations ..	954,111	926,965
Income taxes - current ..	46,700	(286,500)
- deferred ..	443,800	793,000
	490,500	506,500
Net Income	463,611	420,465
Earnings per Share	9.6c	8.7c
Cash Flow per Share	22.8c	29.0c

This statement is subject to year-end adjustment and audit. Per share figures are based upon 4,837,284 issued common shares (1971 - 4,836,350).

The "Equity in Income of Associated Companies" has been restated to reflect the proportionate share of the income and expenses of the Greater Hamilton Shopping Centre Limited on a line by line basis.

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Financial highlights

	1972	1971
Net income	\$ 2,370,783	\$ 1,440,019
Cash flow	\$ 5,108,560	\$ 3,604,492
Earnings per share	49.0¢	29.8¢
Cash flow per share	\$ 1.06	74.5¢
Sales of land	\$ 8,097,244	\$ 4,767,650
Gross rental income	\$ 4,068,339	\$ 3,243,531
Total assets	\$ 72,833,942	\$ 56,991,920
Shareholders' equity	\$ 23,846,426	\$ 21,466,861
Shares outstanding	4,837,563	4,836,350

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President's report to shareholders

Your company achieved considerable progress during fiscal 1972.

The increase in our profitability reflects the improved performance and expansion of our portfolio of income-producing properties and increased activity in the sale of residential and industrial lands in Erin Mills New Town.

The company's major activity continues to focus on Erin Mills, the planned community which is being built by our wholly-owned subsidiary, Don Mills Developments Limited in the Towns of Mississauga and Oakville, west of metropolitan Toronto.

Interest in Erin Mills' industrial parks was at a high level and marketing of residential sites to home builders continued at the strong pace experienced during 1971.

Financial review

Net income for 1972 was \$2,370,783 or 49.0 cents per share, compared with \$1,440,019 or 29.8 cents per share in 1971.

Cash flow for the year was \$5,108,560 or \$1.06 per share. This compares with \$3,604,492 or 74.5 cents per share in the previous year.

Gross rental income amounted to \$4,068,339 and net rental income amounted to \$1,958,302 during the year. This compares with \$3,243,531 and \$1,574,364 in 1971.

Sales of land in Erin Mills amounted to \$8,097,244 compared with \$4,767,650 in 1971. Net income from sales of land was \$3,207,958 compared with \$1,691,895 in 1971.

Income properties

Your company's portfolio of income properties was expanded during the year both through acquisition and the completion of the first of our income properties in Erin Mills.

The increase in consumer spending in 1972 was reflected in the increased sales volume experienced in our shopping centres. In the future, we expect that the main growth in our portfolio of income properties will result from development in Erin Mills.

Erin Mills New Town

In the second year of physical development of this new community the first residential neighbourhoods achieved a settled appearance and community life began among the more than 1,500 residents.

During the year, land was sold which will provide an additional 549 housing units, bringing to 1,093 units the total sold to date to home builders. Prior to the end of 1972 construction commenced on most of the 549 housing units sold to the five builders currently participating with us in the development of Erin Mills. The builders have enjoyed a high level of response

from buyers and many sales are being completed prior to the construction of dwellings.

Market acceptance of our commercial and industrial sites has been consistently strong. Sales of 14 sites totalling 65 acres were closed during the fiscal year. In addition, agreements have been signed for the sale of a further 7 sites, totalling 26 acres, which we expect to close during the 1973 fiscal year. These sites are located in our Northern Industrial Park, Southern Business Park and Auto Campus.

Commercial and industrial space completed, under construction, or in the planning stages now totals approximately 1,600,000 square feet.

During 1972, plans were given final approval which brings to over 700 acres the total of residential and industrial lands now under active development. In addition, we recently registered 156 residential acres representing the first phase of Woodhurst Heights neighbourhood.

In fiscal 1972 we acquired an additional 103 acres of land in Erin Mills. While we plan to continue rounding out our land holdings here, at the present time we do not expect to acquire lands in other areas.

Although the conceptual plan for Erin Mills has been in existence for several years, we have found it desirable to make modifications to this plan as development progresses. Adaptability is essential and the flexibility provided for within our plan allows us the opportunity to respond to changing needs.

Management is constantly monitoring the changing trends in today's life styles and is continually in touch with market demands.

Our company and the industry

We are concerned with the current critical shortage of serviced and registered land for residential building in the metropolitan Toronto area even though this shortage offers some short-run economic advantages to our company.

As a company engaged in the development of a major community over the next 20 years, we would prefer a more balanced and orderly relationship between the supply of serviced land and the demand for homes, not only in Erin Mills, but throughout the entire region.

There is concern in our industry that rapidly escalating building costs and land prices may have a serious effect on the ability of the market to maintain the pace of absorption that has been experienced over the past year or so. However, this has not as yet had any effect on the continuing strong demand by the builders for housing lots—a demand which reflects the shortage of serviced land.

In order to sustain an orderly development process, we must continually monitor not only the response to the builders' home marketing but also the conditions which prevail throughout metropolitan Toronto.

With population steadily increasing in the metropolitan Toronto region, Canada's most active growth area, we expect a continually strong demand for housing accommodation. Although cyclical influences will continue to affect the level of housing activity each year, the principal determinants of housing demand—rising personal income, population growth, competitive pricing and location—will predominate over the long-term.

Outlook

In 1973, we expect to have available for home builders housing lots for the construction of approximately 681 single family units. In addition, the company has fully-serviced lands of approximately 34 acres available in the Brookmeade neighbourhood which would result in the ultimate development of about 635 multiple family units. It is anticipated that some of these lands will be sold to builders during fiscal 1973.

Through the development of Erin Mills, our company is participating in the country's primary urban corridor located in the heart of Canada's principal manufacturing region. This location, along with other positive market factors, should provide us with an important share of the dynamic housing and industrial market.

During the past year, the Toronto area has experienced a very strong demand for industrial sites which, in our opinion, reflects the general upturn in the Canadian economy which began during 1971. This factor, together with the acknowledged strategic location of our Erin Mills' industrial parks and the industrial activity currently taking place, suggests a rewarding future for the continuing development of our lands. The company is benefitting from these factors through increased industrial prices which will have an impact on our future earnings. We are presently in the preliminary planning stages of our first neighbourhood shopping centre which will be required to serve the needs of the growing population. We anticipate a start on this facility in 1974. Considerable interest has already been expressed by potential retail tenants although we have not as yet actively pursued the leasing of this centre.

Additional corner stores will be developed to keep pace with the growth of residential neighbourhoods.

We are also investigating other types of commercial developments to satisfy both local and regional market demands.

On January 23rd, 1973, the Ontario Government announced proposed plans for regional government in the area west of

metropolitan Toronto.

The Erin Mills lands which are presently located in the Towns of Mississauga and Oakville would, under the newly proposed system, be situated entirely within one municipality. If the plan is implemented as presently proposed, future development of the Erin Mills lands would be carried out in conjunction with a municipal and a regional authority.

Directors

During the year Mr. Angus McClaskey retired as a director of your company. Your directors thank Mr. McClaskey for his contribution to the progress and success of the company during his many years of service.

We welcome Mr. C. P. Keeley, Vice-Chairman of McLeod, Young, Weir & Company Limited as a director.

Executive appointments

The following appointments were made during 1972:

Mr. Gerald Sheff as General Manager of Don Mills Developments Limited.

Mr. Michael Warren, as Secretary-Treasurer of both Canadian Equity and Don Mills Developments Limited.

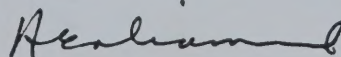
Mr. David H. Hughes as Manager—Advertising and Public Relations of Don Mills Developments Limited.

Change of address

As a result of our increased activity and growth in recent years, your company requires additional space. Effective by mid-March, our head office will be located in new and larger quarters at 1200 Sheppard Avenue East, Toronto.

Appreciation

On behalf of the Board of Directors I wish to express appreciation to all the members of our company for their personal contribution to our progress and success. We believe the company is in the hands of capable, dedicated people who are equipped with the skill, energy and determination required for the successful attainment of our goals.



A. E. Diamond,
President
Toronto
March 1, 1973

Income properties

Revenue from properties owned by the company increased during 1972. A high level of occupancy was maintained and a satisfactory increase in sales volume was experienced in our shopping centres.

Our portfolio of income properties expanded during the year as a result of the completion of three facilities in Erin Mills New Town and the acquisition of the remaining interest in the Greater Hamilton Shopping Centre.

Gross rental income in 1972 was \$4,068,339 compared with \$3,243,531 in 1971. Net rental income was \$1,958,302 compared with \$1,574,364 in the previous year.

Rental income from properties owned in Erin Mills and now fully-leased was progressively reflected in our accounts during the last six months of the year. These properties are the Chrysler Canada Ltd. national parts depot, the Dunwin, an industrial mall, and the Brookmede Corner Store, the first of several convenience shopping facilities planned for Erin Mills.

A significant addition to our portfolio was the acquisition on April 30, 1972 of the 50 per cent interest in the Greater Hamilton Shopping Centre previously held by another company. Accordingly, the results for 1972 report our full participation in this 650,000 square-foot regional shopping centre from May 1, 1972, whereas, the results in 1971, and for the first half of 1972 reflected a 50 per cent participation.

Management is presently evaluating the feasibility of enclosing and modestly expanding this shopping centre.

On October 31, 1972 the company sold its 50 per cent interest in Aldon Developments Limited which owns neighbourhood shopping centres in Brampton and Scarborough, Ontario and ground leases in Metropolitan Toronto. In prior years, the company's share of the net income of Aldon Developments was reflected in "Equity in Income of Associated Companies" and averaged \$20,000 annually during the past five years.

Income properties summary (to October 31, 1972)

	*Land and buildings owned by company		**Land owned by company, Buildings owned by others		***Land and buildings owned by others	
	Land (acres)	Buildings (sq. ft.)	Land (acres)	Buildings (sq. ft.)	Land (acres)	Buildings (sq. ft.)
Greater Hamilton Shopping Centre Hamilton, Ontario	30	311,000	16	122,000	20	213,000
Don Mills Shopping Centre Don Mills, Ontario	27	359,000	6	52,000		
Parkwoods Village Shopping Centre Don Mills, Ontario	3	39,000	3	39,000		
York Mills Shopping Centre Willowdale, Ontario	6	51,000				
Other lands located in Don Mills, Ontario	5	67,000	10	202,000		
Commercial Residential (454 town houses and apartments)			24			
The Towne (note 1) Toronto, Ontario		71,000				
Erin Mills						
Chrysler national parts depot	58	804,000				
Brookmede Corner Store	1	4,000				
The Dunwin industrial mall	2	19,000				

*Income derived from rental of facilities.

**Income derived from long term ground leases.

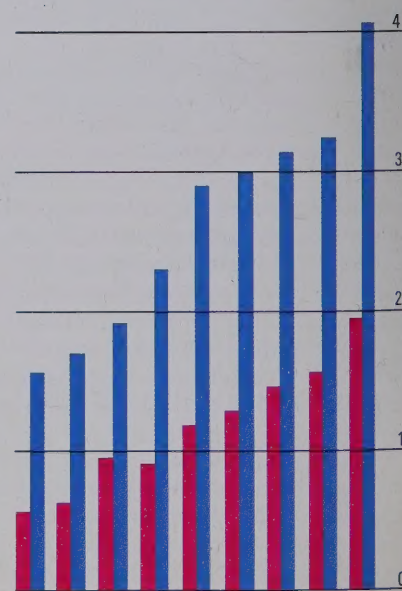
***These facilities are integral parts of the respective shopping centres but no income is derived by the company.

Note 1: The Towne, an integrated residential and commercial complex includes 185 apartment and town house units in addition to 71,000 square feet of retail and office space. The complex is situated on leased land (unexpired term of 112 years).

Rental Income

millions of dollars

■ Net rental income
■ Gross rental income



Opposite: The Don Mills Shopping Centre (bottom & top right) is one of Canada's first major shopping complexes. The company's portfolio of income properties also includes the Towne (top left) an integrated commercial, shopping and residential complex in central Toronto.



Erin Mills New Town

The creation of Erin Mills as a comprehensively planned community for 170,000 residents is the principal activity of Don Mills Developments Limited. Our commitment to Erin Mills is long-term and will continue over the next 20 years as we proceed with the orderly development of 7,000 acres of land in the Towns of Mississauga and Oakville.

Our objective is to create a fully-integrated community with an environmental quality that will help to provide a meaningful living experience for the residents of Erin Mills New Town.

Erin Mills land summary (acres)

	Balance Nov 1, 1971	Changes during the year			Balance Oct 31, 1972
		Purchases	Registration	Sales/Leases	
Undeveloped land	6,678	103	378*		6,403
Land under development					
Residential					
Single family	—		64	64	—
Townhouse	27		4		31
Apartment	10		2		12
Total residential	37		70	64	43
Industrial and commercial	131		220	127	224
Institutional	6		8	2	12
Total land under development	174		298	193	279

*80 acres represents dedications to government authorities.

A community grows

In the emerging neighbourhoods of Erin Mills New Town, a fledgling community began to grow during 1972.

The founding families of the community moved into their new homes in Brookmede, the first neighbourhood, in December, 1971. People have come to know one another and to initiate their own active community life. They meet at special events, at coffee parties, and at gatherings in the Erin Mills Display Centre.

Brookmede Elementary School, the first in the community, opened in temporary quarters in a nearby school in September. A group of parents helped teachers to organize and staff the school library.

Informal groups organized well-attended social events, including a picnic for 400, a Christmas party for 250 youngsters and an evening carol service held in the Display Centre. At year-end, the residents of Erin Mills had established a representative committee to stimulate participation in a developing community program.

Residential progress







Today, more than 400 families live in Brookmede and King's Masting and demand for new homes in Erin Mills continues at an encouraging pace. Construction in Woodhurst Heights, the third neighbourhood, is scheduled to begin in the summer of 1973.

Residential development summary (to October 31, 1972)

Neighbourhood	Number of builders	Units sold to builders	Builders' sales	Occupied
Brookmede	2			
Single family		376*	335	329
Townhouses		168	39	5
King's Masting	5			
Single family		549	251	7
		1,093	625	341

*36 homes reserved for modelling purposes.

Erin Mills general plan

-  Residential
-  Industrial
-  Commercial
-  Parkland
-  Educational and institutional
-  Completed or under development

Neighbourhoods

- B Brookmede
- KM King's Masting
- WH Woodhurst Heights

Industrial/business parks

- SBP Southern Business Park
- NIP Northern Industrial Park



Brookmede

The sale of homes in Brookmede has been quite favourable since Cadillac Homes and Costain Estates began marketing in August, 1971. This neighbourhood is effectively sold out. In June, 1972, these builders began the construction and sale of 168 town-houses in Brookmede. As of December 31, 1972, 53 of these units had been sold. The first of these were occupied in August. Servicing in Brookmede is complete and includes landscaping, sodding and tree planting on the boulevards and park walkway system.

Millway Gate, a nine acre, 133 unit innovative housing area in Brookmede is a joint venture of Don Mills Developments Limited and Cadillac Homes. In this area, we are exploring new and varied dwelling forms for garden apartments and single family homes on smaller lots. Through the application of innovative techniques Millway Gate should provide a range of homes which will be well-received in the market place. Final approval has been granted for this project and commencement of construction is expected in the spring of 1973.

As of December, 1972, approximately 34 acres of registered, fully-serviced townhouse and apartment lands remain in Brookmede. This will provide for about 635 multiple-family dwelling units. We expect to sell some of these lands in fiscal 1973.

King's Masting

All of the lots in this 100-acre neighbourhood, providing for a total of 549 single-family dwellings, were sold during the year to five builders. Construction and sales of houses commenced in June.

In addition to Cadillac and Costain, three new builders are participating in this neighbourhood. The company welcomes Shipp Corporation Limited, West Credit River Homes and Whitehall Development Corporation Limited to Erin Mills. Response to the variety of home styles offered by the five builders was immediate and, as of December 31, 1972, 341 houses were sold. Underground servicing and the construction of roads began in June 1972 and is now complete. The balance of servicing : sidewalks, landscaping, tree planting, sodding of boulevards and the park walkway system is scheduled for completion in the summer of 1973.

Opposite: Children's races and games were popular at the community picnic attended by more than 400 residents of Erin Mills.

Below: Guests enjoyed a buffet on the terrace of the Erin Mills Display Centre during a luncheon for 250 volunteers to launch the 1972 Peel County United Appeal.





Woodhurst Heights

We are starting to develop Woodhurst Heights, our third neighbourhood. This 185-acre neighbourhood will provide a total of 755 single family homes and 223 units of town-housing when complete. We have recently registered phase one and anticipate that permits will be available to builders in June. Phase one will contain 681 single family units and 59 units of townhousing.

We have reached agreement in principle with the five builders now participating in Erin Mills for the sale of lots which will provide for 624 single family housing units. At this time we are unable to predict the number of these sales which will close in fiscal 1973. Installation of underground services, including storm and sanitary sewers, hydro, telephone, water, natural gas and cable TV, began in October, 1972 and will be completed by late spring. Construction of roads, sidewalks, landscaping, sodding and tree planting will begin during the summer.

Educational facilities

Construction of Brookmede Elementary School, the first in Erin Mills, is nearing completion and the Peel County Board of Education expects to open this school in March, 1973. In the interim, more than 200 students are attending classes in a nearby school.

A site for the first separate school in Erin Mills has been committed to the Dufferin-Peel County Roman Catholic Separate School Board.

Churches

The first church campus site in Erin Mills was selected in October, 1971 by the Halton United Church Extension Council, representing five member denominations. The facility to be constructed on this site will be part of the Erin Mills South Community Centre. The Fellowship Baptist Church purchased a two-acre site in Brookmede in 1972 and construction is scheduled for 1973.

Erin Mills Display Centre

Our Display Centre is serving residents as a convenient focal point for community activities.

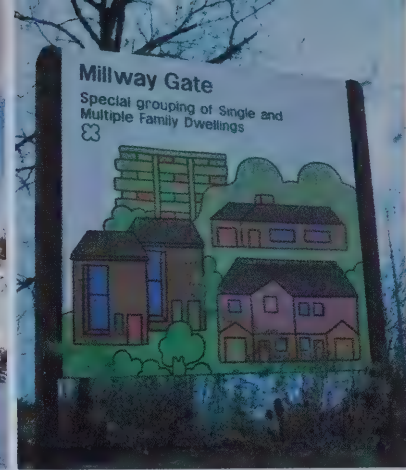
Among the events held in the Centre were the kick-off luncheon for 250 volunteers engaged in the Peel County United Appeal, an all-candidates meeting held by residents prior to the federal election and the first church service in Erin Mills.

Since it was officially opened by Premier William G. Davis in December, 1971, more than 28,000 people have visited our Centre. This includes students from more than 50 elementary and secondary schools and colleges.

Cable TV

During the year a company in which we hold an interest was awarded a license to operate a cable communications system in Erin Mills. Erin Mills has been designated a special test and research area for Cable TV by the Canadian Radio-Television Commission and is the first Canadian community in which a double TV cable is being installed. The new system will ultimately have the potential to provide each home with a full dial selection, FM radio and special channels for educational and community programming and shopping services.

Opposite: Attractive directional, site designation and street signs guide visitors in Erin Mills. Friendly chats, neighbourhood activity and gatherings at the Corner Store are a regular part of the community life.





Industrial parks

Marketing of industrial and commercial sites has continued at an encouraging pace since our start in November, 1970. As of December 31, 1972, 4 facilities have been completed and 3 others are under construction. We expect that construction of at least 17 additional buildings will commence during 1973 and that most will be completed during the year. Land sales for 7 of these will close in fiscal 1973. The company is presently negotiating for the sale or lease of a number of additional sites.

Industrial parks summary (acres) to October 31, 1972

	Registered	Sold/Leased	Balance
Northern Industrial Park	218.4	100.6	117.8
Southern Business Park	97.3	20.4	76.9
Auto Campus	29.7	8.8	20.9
Total	345.4	129.8	215.6

Northern industrial park

Servicing of 218 acres of registered land in phase one was completed during 1972. Total land sold and/or leased to December 31, 1972 totals 101 acres which represent 46 per cent of the total serviced acres available. During the year a 38-acre site was sold for a Loblaw distribution centre. Construction of this 456,000 square foot building started in September and is to be completed in spring, 1973. This will be one of the largest food distribution facilities in Canada and will serve all of southern Ontario. Construction of a national parts depot for Chrysler Canada Ltd. on a 58-acre site was completed early in 1972 and full operation began in May. The 804,000-square-foot building was officially opened in September by Premier William G. Davis.

Left: Loblaw's 456,000-square-foot distribution centre will be completed in the spring of 1973. *Below:* The Dunwin industrial mall and the new medical centre are part of the Southern Business Park. Servicing and the paving of streets in King's Masting neighbourhood began in the summer of 1972.



Northern industrial park (Phase I) to October 31, 1972

Company	Facility	Site acreage	Building area (square feet)
Construction complete Chrysler Canada Ltd.	national parts depot	58.1	804,000
Under construction Loblaws Groceries Co. Ltd.	central distribution facility	38.5	456,000
Construction to commence Macs Milk Ltd.	head office and warehouse	4.0	40,000 (est)
Sold and/or leased		100.6	1,300,000
Balance available		117.8	
Total		218.4	

Southern business park

Installation of services was completed in 1972 in this 97-acre park in Erin Mills South. Total sales and leases to December 31, 1972 cover 24 acres, including 20 acres sold prior to October 31, 1972. This represents 25 per cent of the land available for development in this park.

To October 31, 1972

Company	Facility	Site acreage	Building area (square feet)
Construction complete Don Mills Developments Limited (The Dunwin)	industrial mall office and warehouse	1.8	19,000
Unitog (Canada) Ltd.		2.1	25,000
		3.9	44,000
Under construction Industrial developer	medical clinic head office and manufacturing	2.7	10,000
Myers Wire (Canada) Ltd.		2.6	40,000
		5.3	50,000
Construction to commence Dr. J. McKenzie	pet hospital	0.8	3,500
Industrial developers (5)		10.4	135,000 (est)
		11.2	138,500
Sold and/or leased		20.4	232,500
Balance available		76.9	
Total		97.3	

Auto campus

The 30-acre Auto Campus, first of its kind in Canada, will provide complete facilities for sales, servicing, and related activities serving automobiles and recreational vehicles. In addition to the nine acres of land in the Auto Campus sold to October 31, 1972 we have commitments with two other companies for a further eight acres. A number of companies are expected to commence construction of their facilities in 1973.

To October 31, 1972

Company	Facility	Site acreage
Construction to commence Chrysler Canada Ltd.	dealership	3.5
Goodyear Tire & Rubber Co. Ltd.	tires, batteries, accessories	1.1
Ford Motor Co. Ltd.	dealership	3.5
Standard Auto Glass Co. Ltd.	auto glass service centre	0.7
Sold and/or leased		8.8
Balance available		20.9
Total		29.7

Executive

Top, left to right:

- A. E. Facey, Manager—Land Development, Don Mills Developments Limited
- Gerald Sheff, General Manager, Don Mills Developments Limited
- Clifford H. Stephens, Manager—Industrial Sales, Don Mills Developments Limited

Lower left:

- G. J. Shear, Executive Vice President, General Manager, Canadian Equity & Development Company Limited ; President, Don Mills Developments Limited
- A. E. Diamond, President, Canadian Equity & Development Company Limited

Centre right:

- David H. Hughes, Manager—Advertising and Public Relations, Don Mills Developments Limited

Lower right:

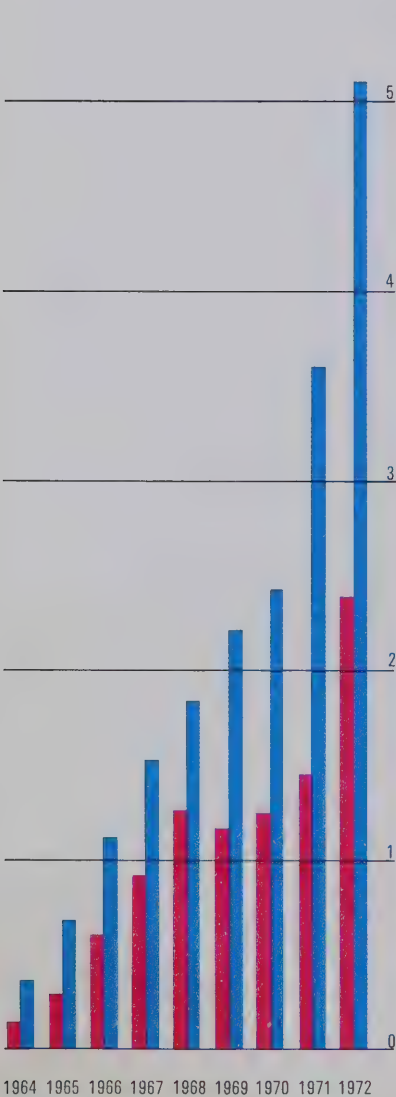
- Michael Warren, Secretary-Treasurer, Canadian Equity & Development Company Limited, Don Mills Developments Limited



Net Income and Cash Flow

millions of dollars

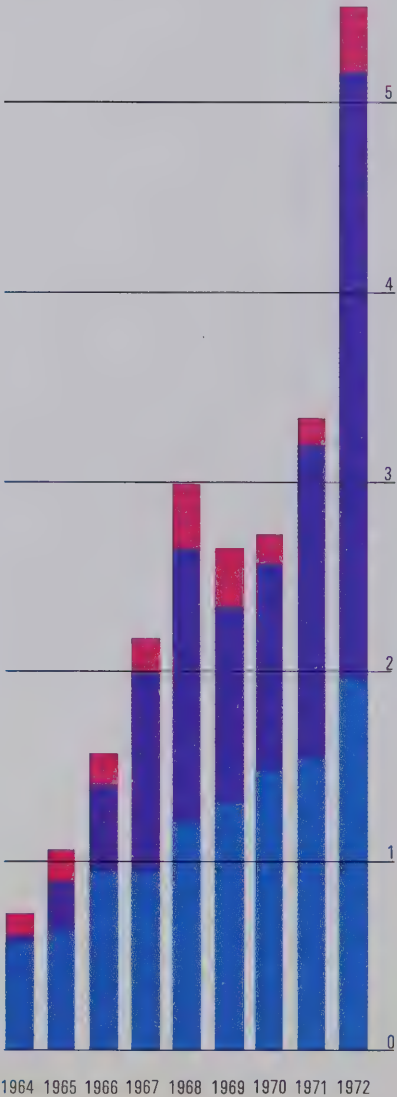
- Net income
- Cash flow



Revenue from Operations

millions of dollars

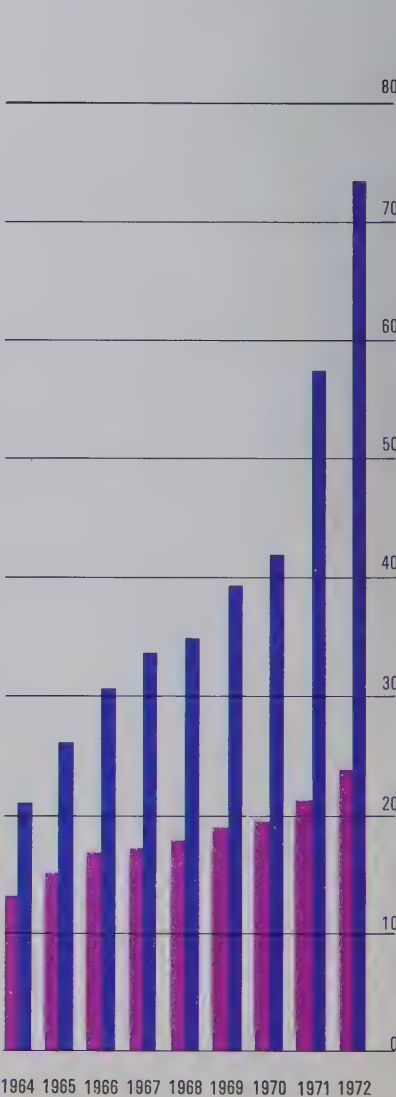
- Interest and sundry income
- Net income from sales of land
- Net rental income



Total Assets and Shareholders' Equity

millions of dollars

- Total assets
- Shareholders' equity



Consolidated financial statements year ended October 31, 1972 (with comparative figures for 1971)**Income**

	1972	1971
Rental income	\$4,068,339	\$3,243,531
Property operating expenses	946,417	890,362
Mortgage and other interest	779,729	441,502
Depreciation (Note 1e)	383,891	337,303
	2,110,037	1,669,167
Net rental income	1,958,302	1,574,364
Sales of land	8,097,244	4,767,650
Cost of land sales	4,918,442	3,326,119
	3,178,802	1,441,531
Earned portion of deferred income from sales of land in prior years	29,156	250,364
Net income from sales of land (Note 1d)	3,207,958	1,691,895
Interest and sundry income	300,582	122,321
Equity in income of associated company (Note 1f)	9,326	12,456
Expenses		
General and administrative	612,109	348,031
Amortization of debenture discount and financing expenses (net of discount on debentures purchased)	38,526	35,319
	650,635	383,350
Income from operations	4,825,533	3,017,686
Income taxes – current (Note 1g)	149,750	(288,333)
– deferred (Note 1g)	2,305,000	1,866,000
	2,454,750	1,577,667
Net income	\$2,370,783	\$1,440,019
Earnings per share	49.0¢	29.8¢

Retained earnings

	1972	1971
Balance, beginning of year	\$ 9,167,799	\$ 7,718,111
Net income	2,370,783	1,440,019
Realization of appraisals (Note 1e)	10,154	9,669
Balance, end of year	\$11,548,736	\$ 9,167,799

Balance sheet

Assets	1972	1971
Mortgages and accounts receivable (Note 2)	\$ 8,304,148	\$ 6,025,633
Development land and improvements (Notes 1c, 3a, 5a)	34,296,904	28,619,232
Income producing properties under construction	—	3,999,243
Income producing properties less accumulated depreciation of \$2,655,579; 1971 — \$2,312,350 (Notes 1e, 3d)	28,881,560	16,118,684
Investments in associated companies (Note 1f)	—	1,134,001
Prepaid expenses and sundry assets	572,228	257,879
Debenture discount and financing expenses less amortization	779,102	837,248
	\$72,833,942	\$56,991,920

Auditors' report to the shareholders:

We have examined the consolidated balance sheet of Canadian Equity & Development Company Limited and its subsidiary company as at October 31, 1972 and the consolidated statements of income, retained earnings, net rental cash flow and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 31, 1972 and the results of their operations, the net rental cash flow and the source and use of their funds for the year then ended in accordance with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Toronto, Ontario
January 5, 1973

Touche Ross & Co.
Touche Ross & Co.
Chartered Accountants

Liabilities	1972	1971
Bank indebtedness (Note 3a)	\$ 4,592,146	\$ 2,182,342
Accounts payable	3,377,856	5,114,630
Provision for future development costs (Note 1d)	2,106,000	1,264,000
Notes payable (Note 3b)	3,869,353	4,579,957
Mortgages on development land and improvements (Note 3c)	8,396,994	7,554,482
Mortgages on income producing properties (Note 3d)	15,280,469	5,644,794
6½% Secured Sinking Fund Debentures Series A (Note 3e)	5,072,000	5,168,000
Deferred income taxes (Note 1g)	6,155,500	3,850,500
Deferred income from sale of properties (Note 1d)	137,198	166,354
	48,987,516	35,525,059

Shareholders' equity

Capital stock		
Common shares (Note 4)		
Authorized – 6,500,000 common shares without par value		
Issued and fully paid – 4,837,563 shares; 1971 – 4,836,350 shares	7,147,232	7,138,450
Excess of appraised value of income producing properties over depreciated cost (Note 1e)	5,150,458	5,160,612
Retained earnings	11,548,736	9,167,799
	23,846,426	21,466,861
	\$72,833,942	\$56,991,920

On behalf of the Board



A. E. Diamond, Director



N. R. Wood, Director

Source and use of funds

	1972	1971
Source of funds		
Operations		
Net income	\$ 2,370,783	\$ 1,440,019
Add: Charges not requiring cash outlay		
Deferred income taxes	2,305,000	1,866,000
Depreciation and amortization	432,777	298,473
Cash flow (\$1.06 per share; 1971 – 74.5¢)	5,108,560	3,604,492
Increase in bank indebtedness	2,409,803	2,911,092
Issue of common shares	8,782	251,875
Increase in mortgages on development land and improvements	1,408,974	980,000
Increase in mortgages on income producing properties	10,121,408	—
Decrease (increase) in investment in associated companies	1,134,001	(25,437)
	\$20,191,528	\$ 7,722,022
Use of funds		
Increase in mortgages and accounts receivable	\$ 2,278,515	\$ 4,946,720
Principal repayments on mortgages secured by development land and improvements	566,462	684,977
Principal repayments on mortgages secured by income producing properties	485,733	321,806
Decrease (increase) in notes payable	710,604	(4,579,957)
Increase in income producing properties	9,147,524	4,010,458
Purchase of debentures	76,380	123,825
Increase in development land and improvements	4,835,672	6,084,210
Decrease (increase) in accounts payable	1,736,774	(3,922,069)
Net change in other assets and liabilities	353,864	52,052
	\$20,191,528	\$ 7,722,022

Net rental cash flow

	1972	1971
Net rental income	\$1,958,302	\$1,574,364
Add: Depreciation	383,891	337,303
	2,342,193	1,911,667
Less: Principal repayments	601,608	434,506
Building and equipment replacements	5,634	11,215
	607,242	445,721
Net rental cash flow	\$1,734,951	\$1,465,946

Notes

1. Accounting policies

(a) **General.** The accounting policies followed by the Company and the disclosure of its financial information are in accordance with the recommendations of the Canadian Institute of Public Real Estate Companies (CIPREC).

(b) **Consolidation.** The consolidated financial statements include the accounts of Canadian Equity & Development Company Limited and its wholly-owned subsidiary, Don Mills Developments Limited.

(c) **Development land and improvements — \$34,296,904.** The Company follows the policy of including in development land and improvements the direct costs of development and servicing as well as the carrying costs attributable to such lands.

	1972	1971
Cost of land acquisitions	\$19,765,501	\$19,146,521
Land carrying costs	3,660,177	2,688,903
Development and servicing costs	10,871,226	6,783,808
	\$34,296,904	\$28,619,232

This comprises 6,682 acres (1971 — 6,852) of Erin Mills lands including 6,403 acres (1971 — 6,678) of undeveloped land and 279 acres (1971 — 174) of substantially serviced land net of dedications for roads and parks, located in registered plans of subdivision.

Land carrying costs (mortgage and debenture interest, realty taxes, insurance, and maintenance, net of rental revenue) incurred during 1972 amounted to \$1,047,-678 (1971 — \$900,868).

(d) **Income from sales of properties.** Income from sales of properties is being recognized in full at the time that all material conditions of the transactions have been fulfilled and interest commences to accrue at a reasonable rate on the balance due. For sales of properties made prior to November 1, 1969 income has been deferred, and is being, and will

continue to be recognized on the basis of cash instalments received.

Costs which benefit more than one phase of the Erin Mills development are allocated on an area basis to those phases which will receive the benefits therefrom, and this combined with direct costs of each phase are allocated to the lands within each phase in proportion to their estimated market value.

Future development costs estimated at \$1,313,000 which are applicable to land sold during the year, have been provided for and included in cost of land sales, and this, together with an estimated \$793,000 applicable to prior years' land sales and land retained as income producing property is shown on the balance sheet as "Provision for future development costs".

(e) **Depreciation on income producing properties.** Depreciation is based on the recorded value, which is cost except in the case of certain properties appraised in 1962 and 1963. After the current year's realization of \$10,154 the income producing properties are reflected at \$5,150,-458 in excess of depreciated cost.

The company records depreciation on buildings included in income producing properties on a sinking fund basis. Under this method, depreciation is charged to income in an amount which increases annually, such amount consisting of a fixed annual sum together with interest compounded at the rate of 5% per annum, so as to fully depreciate the commercial-apartment complex over a fifty year period, commercial buildings over a forty year period, and industrial buildings over a thirty-five year period.

Depreciation of site services and improvements and equipment is charged in equal annual amounts so as to fully amortize the cost of site services and improvements over a thirty-five or forty year period and the cost of equipment over a ten year period.

(f) **Investments in associated companies.** As at November 1, 1971 the company

Notes

owned 50% of the issued common shares of Greater Hamilton Shopping Centre Limited and 50% of the issued common shares of Aldon Developments Limited, the owners of income producing properties.

On April 30, 1972 the balance of the issued common shares of Greater Hamilton Shopping Centre Limited were acquired. Subsequently the assets and liabilities of Greater Hamilton Shopping Centre Limited were transferred to Don Mills Developments Limited, and the former company is being wound up. The Company's share of the income and expenses of Greater Hamilton Shopping Centre (only 50% prior to May 1, 1972) is reflected in the consolidated statements of income and net rental cash flow on a line by line basis and these comparative figures for 1971 have been restated accordingly.

On October 31, 1972 the company sold its interest in the common shares of Aldon Developments Limited. The company's share of the earnings of Aldon Developments Limited is shown in the consolidated statement of income as "equity in income of associated company".

(g) **Income taxes.** In determining taxable income the company deducts certain charges which have been included as costs of development land and improvements (Note 1c). As a result, income taxes otherwise currently payable have been deferred to future years.

Prior to the year ended October 31, 1968 the company followed the taxes payable method of accounting for income taxes

and it did not record deferred income taxes on the excess of income reported for financial statement purposes over taxable income. As at November 1, 1967 the company changed to the tax allocation method of accounting for income taxes. The unrecorded portion of deferred income taxes amounts to approximately \$745,000 as at October 31, 1972 (1971 – \$950,000).

2. Mortgages and accounts receivable – \$8,304,148

Mortgages	\$ 866,624
Amounts due under agreements of purchase and sale	6,915,073
Amounts deferred under joint servicing agreement	234,105
Accounts receivable and due from employees re share purchase plan	232,000
Income taxes recoverable	56,346
	<u>\$8,304,148</u>

Due approximately as follows:

Years ending October 31, 1973	4,385,690
1974	3,230,508
1975	276,220
1978	79,516
1979	189,009
1980	83,996
1981	59,209
	<u>\$8,304,148</u>

The mortgages, agreements of purchase and sale and joint servicing agreement provide for earlier payment in the event that development takes place prior to maturity dates.

3. Bank, note, mortgage and debenture indebtedness

(a) **Bank indebtedness – \$4,592,146.** The bank indebtedness of \$4,592,146 is due on demand. The company's undertaking to complete the servicing requirements as stipulated in subdivision agreements with the municipalities has been guaranteed by way of irrevocable letters of credit issued by its banker. At October 31, 1972 the letters of credit outstanding were \$4,028,804.

A second floating charge on all assets of the company has been granted to the bank as security for the foregoing.

(b) Notes payable – \$3,869,353.

Amounts deferred on servicing contracts (i)	\$2,594,841
Note payable re acquisition of Greater Hamilton Shopping Centre Limited (ii)	1,274,512
	<u>\$3,869,353</u>

- (i) This amount represents deferred portions of servicing contracts and \$1,497,093 is repayable in 1973, the balance by 1975. Part of this amount is non-interest bearing while the balance bears interest at a rate not exceeding 8% per annum.
- (ii) This amount represents the balance of an unsecured note payable arising from the acquisition of Greater Hamilton Shopping Centre Limited (Note 1f). The note bears interest at the rate of 8½% per annum and is due as follows: \$100,000 in each of 1973 and 1974, the balance in 1975.

(c) **Mortgages on development land and improvements — \$8,396,994.** The development land is subject to mortgages which bear interest at an average rate of 8.1% per annum and are repayable as to principal approximately as follows:

Years ending October 31, 1973	\$ 880,201
1974	2,219,368
1975	1,509,783
1976	248,676
1977	1,086,225
1978	216,415
1979	1,033,487
1980	13,257
1981	646,803
1982	273,319
Subsequent to October 31, 1982	269,460
	\$8,396,994

(d) **Mortgages on income producing properties — \$15,280,469.** The income producing properties are subject to mortgages which bear interest at an average rate of 8.0% per annum and are repayable as to principal approximately as follows:

Years ending October 31, 1973	684,939
1974	733,929
1975	783,120
1976	802,804
1977	665,265
1978	480,550
1979	509,567
1980	441,590
1981	447,588
1982	399,456
Subsequent to October 31, 1982	9,331,661
	\$15,280,469

(e) **6½% secured sinking fund debentures series A — \$5,072,000.** The Trust Deed under which the Series A debentures were issued provides for the establishment of a sinking fund to retire \$130,000 principal amount of Series A Debentures on February 15, in each of the years 1973 to 1990 inclusive. The balance of principal is due February 15, 1991. The Series A Debentures are secured by a first floating charge on all the assets and by a first fixed and specific mortgage on approximately 5,510 acres of the Erin Mills lands and, subject to certain prior encumbrances, a fixed and specific mortgage on the income producing properties of Don Mills Developments Limited. The company is entitled to obtain releases of any parts of Erin Mills lands so charged upon repayment at the rate of \$1,000 per acre to the Trustee for each parcel released, except for lands required for dedication to the Municipality, in which case no payment is required. Provisions of the Trust Deed restrict payment or distribution by way of dividends, redemption of shares, reduction of capital or otherwise except out of the "consolidated net earnings available for dividends" (as defined in the Trust Deed) earned subsequent to October 31, 1965 plus the net cash proceeds to the company of the issue after such date of any of its shares. The amount available for distribution as defined under the Trust Deed at October 31, 1972 is approximately \$9,727,990 (1971 — \$7,299,745). The Series A Debentures are redeemable at the option of the company at varying premiums to maturity. At the present time

the premium is 4½% and it decreases at the rate of ¼ of 1% per annum.

4. Capital stock

As a result of purchase rights granted in 1969 under an Employees Share Purchase Plan 1,213 common shares were issued during the year for a total cash consideration of \$8,782. Forty-one thousand common shares are reserved and may, at the discretion of the directors of the company, be used to grant options to employees of the company.

5. Commitments

(a) In connection with the development of the Erin Mills lands, the company has entered into various servicing contracts, of which the unexpended portion amounts to approximately \$1,500,000 at October 31, 1972.

(b) The subsidiary is the lessee under a ground lease which has an unexpired term of 112 years and provides for an annual rental of \$63,375 until 1999 after which time the annual rental is subject to negotiation.

6. Statutory information

(a) The aggregate direct remuneration of directors and senior officers as defined by The Business Corporations Act paid by the Company for the year ended October 31, 1972 was approximately \$137,000 (1971 — \$123,000).

(b) Total interest charges (re notes, debentures, mortgages and bank indebtedness) incurred and capitalized during 1972 amounted to \$1,359,816 (1971 — \$805,025).

Financial Review

	1972	1971	1970	1969	1968
Income from operations before income taxes	4,826	3,018	2,609	2,504	2,755
Net income	2,371	1,440	1,245	1,164	1,264
Cash flow	5,109	3,604	2,420	2,198	1,854
Sales of land	8,097	4,768	414	—	1,428
Net income from sales of land	3,208	1,692	1,096	1,040	1,449
Gross rental income	4,068	3,244	3,139	3,004	2,920
Net rental income	1,958	1,574	1,472	1,295	1,197
Net rental cash flow	1,735	1,466	1,352	1,090	1,036
Total assets	72,834	56,992	41,923	38,702	34,449
Shareholders' equity	23,846	21,467	19,775	18,521	17,924
Earnings per share	49.0¢	29.8¢	25.9¢	24.3¢	26.4¢
Cash flow per share	\$1.06	74.5¢	50.4¢	45.8¢	38.7¢
Common shares outstanding (000's)	4,838	4,836	4,800	4,797	4,794

Data in thousands of dollars except where otherwise indicated.
Amounts in respect of years prior to 1971 have been restated
throughout this report to reflect the retroactive adoption in 1970
of the equity method of accounting for investments.

Corporate information

Directors

Joseph Berman,
Executive Vice-President and Director
Cadillac Development Corporation Limited

A. E. Diamond
President and Director
Cadillac Development Corporation Limited

B. I. Ghert
Vice-President Finance and Director
The Fairview Corporation of Canada Limited

C. P. Keeley
Vice-Chairman of the Board
McLeod, Young, Weir & Company Limited

E. L. Kolber
President and Director
Cemp Investments Ltd.

D. W. Naylor
Financial and real estate consultant

G. J. Shear
Executive Vice-President and Director
Cadillac Development Corporation Limited

N. R. Wood
President and Director
The Fairview Corporation of Canada Limited

Officers

E. L. Kolber, Chairman of the Board

A. E. Diamond, President

G. J. Shear, Executive Vice-President and General Manager

Joseph Berman, Vice-President

N. R. Wood, Vice-President

Michael Warren, Secretary-Treasurer

Auditors

Touche Ross & Co., Toronto

Transfer agents and registrars for common shares

National Trust Company Limited

Toronto, Montreal, Winnipeg, Calgary and Vancouver

Montreal Trust Company

Halifax

Debenture trustee

Montreal Trust Company, Toronto

Share listing

Toronto Stock Exchange

Head office

1200 Sheppard Avenue East

Toronto, Ontario

M2K 1E3

1967	1966	1965	1964
1,867	1,220	632	315
932	600	287	141
1,509	1,117	687	362
5,615	1,200	972	117
1,075	454	257	41
2,327	1,929	1,713	1,578
907	949	631	565
748	704	590	524
33,800	30,314	26,047	20,843
17,041	16,446	15,118	12,969
19.8¢	12.7¢	6.4¢	5.6¢
32.0¢	23.7¢	15.3¢	14.5¢
4,717	4,717	4,477	2,500

Canadian Equity & Development Company Limited

1200 Sheppard Avenue East,

Toronto, Ontario

M2K 1E3

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